

OVID-MIDDLEBURY EMERGENCY
SERVICES AUTHORITY
OVID, MICHIGAN

FINANCIAL STATEMENTS

DECEMBER 31, 2013

OVID-MIDDLEBURY EMERGENCY SERVICES AUTHORITY
BOARD MEMBERS
DECEMBER 31, 2013

Richard Semans	Chairman
Michael Herendeen	Vice-Chairman
Tim Zwick	Treasurer
Carolyn Stevens	Secretary
Randy Montague	Trustee
Dave Dunham	Trustee
Greg Palen	Trustee
William Lasher	Trustee

OVID-MIDDLEBURY EMERGENCY SERVICES AUTHORITY
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Robert W. Dorsey, C.P.A.
Sarah J. Talbot, C.P.A.
John A. Goodman, C.P.A.

INDEPENDENT AUDITOR'S REPORT

Members of the Authority
Ovid-Middlebury Emergency Services Authority
Ovid, Michigan

We have audited the accompanying financial statements of the Ovid-Middlebury Emergency Services Authority, as of and for the year ended December 31, 2013, which collectively comprise the Authority's basic financial statements as listed in the table of contents, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Ovid-Middlebury Emergency Services Authority, as of December 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Demis and Wenzlick, P.C.
Certified Public Accountants

Owosso, Michigan
May 21, 2014

OVID-MIDDLEBURY EMERGENCY SERVICES AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2013

The Ovid-Middlebury Emergency Services Authority's (the Authority) financial statements are presented in accordance with the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The intent of this standard is to provide citizens, taxpayers, customers and investors with a better understanding of how the Authority's money and other assets are managed.

This discussion and analysis of financial performance provides a comparison overview of the Authority's financial activities for the fiscal years ended December 31, 2013 and 2012. Please read the document in conjunction with the Authority's financial statements.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended December 31, 2013:

- The assets of the Authority exceeded its liabilities at the close of the most recent year by \$896,549 (net position).
- The Authority's total net position increased by \$806 as the result of current year activity.
- The Operating Fund finished the 2013 year with an increase to fund balance of \$39,104. The ending fund balance for the 2013 year for the Operating Fund was \$442,839.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net position and the statement of activities provide information about the activities of Ovid-Middlebury Emergency Services Authority as a whole and present a longer-term view of the Authority's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the operations of Ovid-Middlebury Emergency Services Authority in more detail than the government-wide financial statements by providing information about the Authority's most significant funds.

OVID-MIDDLEBURY EMERGENCY SERVICES AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2013

The Authority as a Whole

The following table shows, in a condensed format, the net position as of December 31, 2013 and 2012.

	2013	2012
Assets		
Current & Other Assets	\$ 476,327	\$ 433,020
Capital Assets	453,710	492,008
Total Assets	930,037	925,028
Deferred Outflows of Resources	292,247	289,974
Liabilities		
Current Liabilities	33,488	29,285
Noncurrent Liabilities	-	-
Total Liabilities	33,488	29,285
Deferred Inflows of Resources	292,247	289,974
Net Position		
Invested in Capital Assets, Net of Related Debt	453,710	492,008
Restricted	106,627	103,128
Unrestricted	336,212	300,607
Total Net Position	\$ 896,549	\$ 895,743

The Authority's total net assets were \$896,549 at December 31, 2013. Unrestricted net assets (the part of net assets that can be used to finance day-to-day operations) were \$336,212 at the end of the year. The net asset invested in capital assets were at \$453,710. Restricted funds were at \$106,627.

OVID-MIDDLEBURY EMERGENCY SERVICES AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2013

The Authority as a Whole (Continued)

The following table shows the changes in net position during the current year and previous year.

	2013	2012
Revenue		
Program Revenue:		
Charges for Services	\$ 121,413	144,282
Operating Grants & Contributions	3,000	-
General Revenue:		
Property Tax	300,131	298,858
Interest Revenue	1,345	1,834
Gain (Loss) on Disposal of Assets	(1,446)	(81,561)
Donations	15,000	-
Miscellaneous	14,802	33,006
Total Revenue	454,245	396,419
Program Expenses		
Public Safety	453,439	425,915
Changes in Net Position	<u>\$ 806</u>	<u>(29,496)</u>

Governmental Activities

The Authority's governmental revenues totaled \$454,245 with the greatest revenue sources being property taxes and charges for services. Property tax collections and charges for services make up approximately 66 and 27 percent, respectively, of total governmental revenue. Revenues include an item of \$(1,446) for a write off which reduced revenues.

The Authority incurred expenses of \$453,439 during the year. As a special purpose government, all of the governmental expenses incurred are associated with the public safety function.

The Authority's Fund

The analysis of the Authority's major fund begins on page 9, following the government-wide financial statements. The fund financial statements provide detailed information about the individual fund, not Ovid-Middlebury Emergency Services Authority as a whole. The Ovid-Middlebury Emergency Services Authority's Board of Trustees creates funds to help manage money for specific purposes as well as to show accountability for certain activities. The Authority's only major fund for the fiscal year ended December 31, 2013 was the Operating Fund.

The Operating Fund pays for all the Authority's governmental services. The sole service provided during the fiscal year was emergency management, which incurred expenditures of approximately \$416,587 for the fiscal year.

OVID-MIDDLEBURY EMERGENCY SERVICES AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2013

General Fund Budgetary Highlights

Over the course of the fiscal year, the Authority Board made necessary budget adjustments to fund unanticipated expenditures during the year. The most significant amendments to the expenditure line items were to accommodate additional equipment repair related costs that were incurred and various other additional anticipated expenditures to more accurately reflect expected costs.

Capital Assets and Debt Administration

At the end of the fiscal year, the Authority had \$453,710 invested in, land, emergency service vehicles and equipment (net of accumulated depreciation). Various smaller pieces of emergency equipment were donated, for a total addition to capital assets of \$15,000. Various disposals occurred during the year for a decrease to capital assets of \$22,970. More details related to the capital assets can be found in Note D.

Contacting the Authority's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Authority's finances and demonstrate the Authority's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Ovid-Middlebury Emergency Services Authority Treasurer at (989) 834-5707.

BASIC FINANCIAL STATEMENTS

OVID-MIDDLEBURY EMERGENCY SERVICES AUTHORITY
STATEMENT OF NET POSITION
DECEMBER 31, 2013

	<u>Primary Government</u>
	<u>Governmental Activities</u>
ASSETS	
Current Assets	
Cash & Cash Equivalents	\$ 344,761
Investments	103,541
Accounts Receivable, Net	24,939
Prepaid Insurance	3,086
Total Current Assets	<u>476,327</u>
Noncurrent Assets	
Capital Assets, Net of Depreciation	383,526
Capital Assets, Not being Depreciated	70,184
Total Noncurrent Assets	<u>453,710</u>
Total Assets	<u>930,037</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Taxes Receivable	<u>292,247</u>
Total Deferred Outflows of Resources	<u>292,247</u>
 LIABILITIES	
Current Liabilities	
Accounts Payable	7,774
Accrued Wages	26,338
Payroll Liabilities	(624)
Total Current Liabilities	<u>33,488</u>
 DEFERRED INFLOWS OF RESOURCES	
Deferred Revenues	<u>292,247</u>
Total Deferred Inflows of Resources	<u>292,247</u>
 NET POSITION	
Capital Assets, Net of Related Debt	453,710
Restricted	106,627
Unrestricted	<u>336,212</u>
Total Net Position	<u><u>\$ 896,549</u></u>

The accompanying notes are an integral part of these financial statements.

OVID-MIDDLEBURY EMERGENCY SERVICES AUTHORITY
STATEMENT OF ACTIVITIES
DECEMBER 31, 2013

Functions/Programs	Program Revenues		Net (Expense) Revenue	
	Charges for Services	Operating Grants & Contributions	Primary Governmental Activities	Total
Primary Government				
Governmental Activities:				
Public Safety	\$ 453,439	3,000	(329,026)	(329,026)
Total Governmental Activities	<u>453,439</u>	<u>3,000</u>	<u>(329,026)</u>	<u>(329,026)</u>
General Purpose Revenues :				
Property Taxes			300,131	300,131
Donations			15,000	15,000
Miscellaneous			1,875	1,875
Interest			1,345	1,345
Gain (Loss) on Disposal of Assets			(1,446)	(1,446)
Tower Rent			12,927	12,927
Total General Revenues & Trans.			<u>329,832</u>	<u>329,832</u>
Change in Net Position			806	806
Net Position at Beginning of Period			895,743	895,743
Net Position at End of Period			<u>\$ 896,549</u>	<u>896,549</u>

The accompanying notes are an integral part of these financial statements.

OVID-MIDDLEBURY EMERGENCY SERVICES AUTHORITY
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2013

	<u>General Fund</u>
ASSETS	
Cash & Cash Equivalents	\$ 344,761
Investments	103,541
Accounts Receivable, Net	24,939
Prepaid Insurance	3,086
Total Assets	<u>476,327</u>
DEFERRED OUTFLOWS OF RESOURCES	
Taxes Receivable	292,247
Total Assets & Deferred Outflows of Resources	<u>\$ 768,574</u>
LIABILITIES	
Accounts Payable	\$ 7,774
Accrued Wages	26,338
Payroll Liabilities	(624)
Total Liabilities	<u>33,488</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred Revenue	292,247
Total Liabilities & Deferred Inflows of Resources	<u>325,735</u>
FUND BALANCE	
Nonspendable	
Prepaid	3,086
Committed	103,541
Unassigned	336,212
Total Fund Balance	<u>442,839</u>
Total Liabilities & Fund Balance	<u>\$ 768,574</u>

The accompanying notes are an integral part of these financial statements.

OVID-MIDDLEBURY EMERGENCY SERVICES AUTHORITY
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2013

Total Fund Balance - Governmental Funds	\$ 442,839
Fixed assets are capitalized in the Statement of Net Position and depreciated in the Statement of Activities. These are expensed when acquired in the Statement of Revenues, Expenditures, and Changes in Fund Balance.	<u>453,710</u>
Total Net Position - Governmental Funds	<u><u>\$ 896,549</u></u>

The accompanying notes are an integral part of these financial statements.

OVID-MIDDLEBURY EMERGENCY SERVICES AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>General Fund</u>
Revenues	
Ambulance Runs	\$ 200,614
Fire Runs	13,171
Bad Debts/Write Offs	<u>(92,372)</u>
Total Runs, Net	121,413
Property Taxes	300,131
Tower Rent	12,927
Grants	3,000
Donations	15,000
Miscellaneous	1,875
Interest	<u>1,345</u>
Total Revenues	<u>455,691</u>
Expenditures	
Public Safety	<u>416,587</u>
Total Expenditures	<u>416,587</u>
Excess of Revenues Over (Under) Expenditures	<u>39,104</u>
Net Change in Fund Balance	<u>39,104</u>
Fund Balance at Beginning of Period	<u>403,735</u>
Fund Balance at End of Period	<u><u>\$ 442,839</u></u>

The accompanying notes are an integral part of these financial statements.

OVID-MIDDLEBURY EMERGENCY SERVICES AUTHORITY
RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE WITH STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013

Total Net Change in Fund Balances - Governmental Funds	\$ 39,104
Fixed assets are expensed as capital outlay in governmental fund statements and capitalized as fixed assets in the Statement of Net Position.	13,554
Depreciation expense reflected in the entity wide statements, not reflected in the governmental funds statements.	<u>(51,852)</u>
Changes in Net Position - Governmental Funds	<u><u>\$ 806</u></u>

The accompanying notes are an integral part of these financial statements.

OVID-MIDDLEBURY EMERGENCY SERVICES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE A: DESCRIPTION OF EMERGENCY SERVICES AUTHORITY AND SUMMARY OF
SIGNIFICANT ACCOUNTING POLICIES

DESCRIPTION OF ENTITY AND ITS OPERATIONS

The Ovid-Middlebury Emergency Services Authority was created on January 1, 2003 by a joint venture agreement between the Township of Ovid, the Township of Middlebury, and the Village of Ovid. Effective January 1, 2003 the Ovid-Middlebury Fire Board and the Ovid Area Ambulance Service transferred all their existing assets, liabilities, and remaining fund equity to the newly formed Ovid-Middlebury Emergency Services Authority. The Authority is considered a Municipal Emergency Service Authority as provided in the Emergency Services to Municipalities Act, 1988 PA57, MCL 124.601. The remaining formation and operating guidelines, etc. are detailed in the Authority's Articles of Incorporation and Bylaws and are maintained in the Authority administrative offices. Each township appoints three (3) members and the Village appoints one (1) member to the Board. The Chiefs oversees the day-to-day operations of the Authority.

The Authority has no stockholders and all monies received are to be used for certain specified purposes in accordance with the joint venture agreement between the constituent municipalities.

The Authority is intended to operate as much as possible from funds and income derived from operations. However, each township is responsible for remitting the portion of the emergency services property tax levy collected to the Authority. Other responsibilities including insurance coverage and procedures for termination of services are explicitly detailed in the joint venture agreement, bylaws, and articles of incorporation of the Authority.

REPORTING ENTITY

As required by accounting principles generally accepted in the United States of America; GASB Statement No. 14, The Financial Reporting Entity (as amended by GASB Statement No. 39); and Statement on Michigan Governmental Accounting and Auditing No. 5, financial statements are exclusive presentations of the financial condition and results of operations of the Ovid-Middlebury Emergency Services Authority. The Ovid-Middlebury Emergency Services Authority is considered a "joint venture" of the constituent municipalities.

BASIS OF PRESENTATION

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net position and the statement of activities (the government-wide statements) present information for the Authority as a whole.

OVID-MIDDLEBURY EMERGENCY SERVICES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE A – DESCRIPTION OF EMERGENCY SERVICES AUTHORITY AND SUMMARY OF
SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION

GOVERNMENT-WIDE FINANCIAL STATEMENTS (CONTINUED)

The statement of activities presents the direct functional expenses of the Authority and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes taxes, interest, and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

FUND FINANCIAL STATEMENTS

The Authority uses a single fund to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The governmental fund financial statements present the Authority's individual major fund.

The major fund of the Authority is:

- a. The Operating Fund is used to account for all financial resources to be used for fire and ambulance protection services provided to each participating municipality.

MEASUREMENT FOCUS

The government-wide statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

The governmental fund is presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

OVID-MIDDLEBURY EMERGENCY SERVICES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE A – DESCRIPTION OF EMERGENCY SERVICES AUTHORITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF ACCOUNTING

Basis of accounting refers to the timing under which transactions are recognized for financial reporting purposes. Governmental fund financial statements use the modified accrual basis of accounting. The government-wide financial statements are prepared using the accrual basis of accounting.

Under the accrual basis of accounting, revenue is recorded in the period in which it is earned and expenses are recorded when incurred, regardless of the timing of related cash flows. Property tax revenue is recognized in the fiscal year for which it is levied. Revenues for grants, entitlements, and donations are recognized when all eligibility requirements imposed by the provider have been met. Unearned revenue is recorded in the government-wide financial statements when resources are received by the Authority before it has legal claim to them, such as when tax dollars are received or established as a receivable because they have been levied prior to the year which they are related to.

Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues susceptible to accrual include property taxes, charges for services, and interest revenue. Other revenues are not susceptible to accrual because generally they are not measurable until received in cash. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt which are recorded when due.

The Authority reports deferred revenue on its governmental funds balance sheet in accordance with GASB No. 63 requirements. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Resources are considered available if they are collected during the current fiscal year or soon enough afterward to be used in payment of current year liabilities - defined as expected to be received within sixty days of year-end. Deferred revenues also arise when the Authority receives resources before it has a legal claim to them. In subsequent periods, when both revenues recognition criteria are met, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

CASH

Cash consists of checking and savings accounts.

INVESTMENTS

Investments consist of certificates of deposit.

OVID-MIDDLEBURY EMERGENCY SERVICES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE A – DESCRIPTION OF EMERGENCY SERVICES AUTHORITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ACCOUNTS RECEIVABLE

Accounts receivable consists of amounts due from governmental assistance programs (i.e., Medicaid and Medicare), private insurances, and individual patients for services provided and other miscellaneous amounts. The amounts reflected in the financial statements are net of an applicable allowance for doubtful collections, which is based on historical collection patterns.

CAPITAL ASSETS

Capital assets include land, land improvements, vehicles and equipment and are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental activities. Capital assets are those with an initial individual cost of \$2,500 or more and an estimated useful life of more than one year.

Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Land Improvements	10 years
Vehicles	7 - 20 years
Equipment	5 - 20 years

LONG-TERM OBLIGATIONS

Long-term debt and other long-term obligations are recognized as a liability in the government-wide financial statements when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as long-term.

Long-term debt is recognized as a liability of a governmental fund when due. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

OVID-MIDDLEBURY EMERGENCY SERVICES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE A – DESCRIPTION OF EMERGENCY SERVICES AUTHORITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES (CONTINUED)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

COMPARATIVE DATA

Comparative data for the prior year has not been presented in the accompanying financial statements since their inclusion would make the statements unduly complex and difficult to read.

PROPERTY TAXES

The participating Townships levy and collect property taxes for the Authority. As the Emergency Services tax is collected it is remitted by the Township Treasurers. At March 1 each year the Townships settle their delinquent taxes with their respective County Treasurers' and the unpaid real property tax is remitted to the Board by the County Treasurer in Clinton County and by the County Treasurer in Shiawassee County. Delinquent personal property taxes are retained by the Township Treasurers for subsequent collection. The property taxes levied December 1 are accrued as current tax receivable with the appropriate deferral and are budgeted as revenue in the subsequent year. For the year ended December 31, 2013, the Township levied for the 2012 levy 2.2482 mills, which was recognized as revenue during 2013 and 2.2482 mills for the 2013 levy which will be recognized as revenue in 2014.

BUDGETS AND BUDGETARY ACCOUNTING

The Operating Fund budget shown in the required supplementary information in the financial statements was prepared on a basis not significantly different than the basis used to reflect actual results.

The Authority follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Prior to January 1, the budget is legally adopted on a total expenditure level through passage of a Board resolution. After the budget is adopted, all transfers of budgeted amounts between activities, or any revisions that alter the total expenditures of the fund or activity must be approved by the Board.
- b. Formal budgetary integration is employed as a management control device during the year.
- c. The Board does not employ encumbrance accounting as an extension of formal budgetary integration. Appropriations unused at December 31 are not carried forward to the following fiscal year.
- d. Budgeted amounts are reported as originally adopted or amended by the Board during the year. Individual amendments were appropriately approved by the Board as required.

OVID-MIDDLEBURY EMERGENCY SERVICES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE B: CASH

Ovid-Middlebury Emergency Services Authority's deposits consists of a checking and savings account, which is reported as cash in the financial statements.

In accordance with Michigan Compiled Laws, Ovid-Middlebury Emergency Services Authority is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation (FDIC) or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation (FSLIC) or a credit union which is insured by the National Credit Union Administration, but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or Federal agency obligations repurchase agreements.
5. Bankers acceptances of United States banks.
6. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

FDIC regulations provide that deposits of governmental units are to be separately insured for the amount of \$250,000 for deposits in an insured bank for savings deposits and \$250,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$250,000. For the purpose of these rules, the term "savings deposits" includes NOW accounts, money market deposit accounts, and other interest-bearing checking accounts.

OVID-MIDDLEBURY EMERGENCY SERVICES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

DEPOSITS

As of December 31, 2013, the carrying amount and bank balance are as follows:

Demand Deposits	Insured (FDIC)	Uninsured and Uncollateralized	Carrying Amount	Bank Balance/ Market Value
Checking	\$ 294,458	\$ 44,458	\$ 294,458	\$ 294,794
Savings	50,203	-	50,203	50,203
Total Demand Deposits	<u>\$ 344,661</u>	<u>\$ 44,458</u>	<u>\$ 344,661</u>	<u>\$ 344,997</u>
Time Deposits				
Certificate of Deposits	<u>\$ 103,541</u>	<u>\$ -</u>	<u>\$ 103,541</u>	<u>\$ 103,541</u>

Deposits of the Ovid-Middlebury Emergency Services Authority are at a federally insured bank located in the State of Michigan with all accounts maintained in the name of Ovid-Middlebury Emergency Services Authority. As of December 31, 2013, the Authority's deposits and investments were uninsured by the FDIC in the amount of \$44,458.

INTEREST RATE RISK

The Authority will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by designing its portfolio with the objective of obtaining a rate of return throughout the budgetary and economic cycles, taking into account the investment risk constraints and the cash flow characteristics of the portfolio.

CREDIT RISK

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of December 31, 2013 the Authority investments are in certificates of deposits.

CONCENTRATION OF CREDIT RISK

The Authority will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Authority's investment in a single issuer, by diversifying its investments by security type and institution to ensure that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

OVID-MIDDLEBURY EMERGENCY SERVICES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE B: CASH (CONTINUED)

CUSTODIAL CREDIT RISK

The Authority will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer by diversifying its investments by security type and institution to ensure that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

NOTE C: RECEIVABLES

The following is an analysis of accounts receivable as of December 31, 2013:

Accounts Receivable – Ambulance	\$ 37,689
Accounts Receivable – Fire	3,250
Total Accounts Receivable, Gross	<u>40,939</u>
Less: Allowance for Doubtful Accounts	<u>(16,000)</u>
Accounts Receivable, Net	<u><u>\$ 24,939</u></u>

NOTE D: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2013 was as follows:

	Balance 01/01/13	Additions	Disposals	Balance 12/31/2013
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 70,184	\$ -	\$ -	\$ 70,184
Total capital assets not being depreciated	70,184	-	-	70,184
Capital assets being depreciated				
Equipment	365,620	15,000	(7,970)	372,650
Vehicles	668,430	-	(15,000)	653,430
Total capital assets being depreciated	1,034,050	15,000	(22,970)	1,026,080
Less accumulated depreciation for:				
Equipment	(206,037)	(25,080)	6,524	(224,593)
Vehicles	(406,189)	(26,772)	15,000	(417,961)
Total accumulated depreciation	(612,226)	(51,852)	21,524	(642,554)
Net capital asset being depreciated	421,824	(36,852)	(1,446)	383,526
Capital Assets, Net	<u>\$ 492,008</u>	<u>\$ (36,852)</u>	<u>\$ (1,446)</u>	<u>\$ 453,710</u>

OVID-MIDDLEBURY EMERGENCY SERVICES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE D – CAPITAL ASSETS (CONTINUED)

Depreciation expense was wholly allocated to the lone governmental function (public safety) in the amount of \$51,852.

NOTE E: RISK MANAGEMENT

The Authority is exposed to various risks of loss including property, general liability, public official's liability, in-land marine, crime, auto, and worker's compensation for which the Authority carries commercial insurance.

NOTE F: RELATED PARTY TRANSACTIONS

The Authority leases space from the Village of Ovid in the Ovid Municipal Building under a lease agreement dated December 15, 2004. The lease with the Village of Ovid requires a one-time payment of \$1 and is cancelable by either party given a 60 day written notice.

NOTE G: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Michigan Public Act 621 of 1978, Sections 18 and 19, as amended, provides that a local governmental unit not incur expenditures in excess of the amounts appropriated.

In the required supplementary information of the financial statements, the Authority budgeted expenditures in the Operating Fund have been shown at the expenditure line-item level. The budget has been adopted at the total expenditure level.

During the year ended December 31, 2013, the Authority's total expenditures did not exceed total amounts appropriated.

NOTE H – DETAILS OF FUND BALANCE CATEGORIES AND CLASSIFICATIONS

In February 2009, the GASB issued Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Under this standard, the fund balance classifications of reserved, designated and unreserved will be replaced with five new classifications: nonspendable, restricted, committed, assigned and unassigned.

Nonspendable – an asset that will not be able to be used as cash (example: prepaid items, supplies, long-term receivables). An asset that will not be able to convert to cash within the current fiscal year (examples: foreclosure properties and other non-financial assets held for sale). Any net resource that is bound by legal or contractual requirements to be maintained intact (examples: the principle of an endowment, the capital of a revolving loan fund).

OVID-MIDDLEBURY EMERGENCY SERVICES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE H – DETAILS OF FUND BALANCE CATEGORIES AND CLASSIFICATIONS
(CONTINUED)

Restricted – enforceable limitations imposed by external parties (outside of the local government). Examples of external parties: creditors, grantors, contributors, other government laws and regulations, constitutional law provisions, enabling legislation.

Committed – designated by the highest level of decision making authority. Designated funds can only be removed or changed through the highest level of decision making authority. The Board must take action to designate the funds prior to the end of the OMESA fiscal year. Upon completion of audit, an exact amount can be determined.

Assigned – intended to be used for a specific purpose (can change). Designation and changes can come from the governing body, finance committee, budget committee, or an official authorized by the governing body. The amount reported cannot exceed total fund balance less its nonspendable restricted, and committed components.

Unassigned – General Fund is the only fund to use unassigned fund balance, unless another fund has a negative balance. The surplus of fund balance remaining in the general fund not classified as nonspendable, restricted, committed, or assigned.

Fund Balance Classification Policies and Procedures

The OMESA Board first needs to designate all committed funds with formal action through a motion shortly after audit is completed and an exact amount of fund balance is known. These funds shall include any prior commitments such as leases, loans, projects, etc. that will cause temporary future budget shortfalls. Committed funds shall not be designated for funding operating expenditures that exceed operating revenues.

Once committed fund balance has been designed, the Board shall decide on future projects or replacement of future assets that they intend on spending funds that might exceed operating revenue. This should be reflected in the minutes, but does not require a resolution since these are simply intentions. The Board can assign funds to different projects or assets at any time. The Board may instruct the Treasurer to authorize designations and changes during the budget preparation. Any budgetary shortfalls for the new fiscal year budget should be designated as assigned fund balance in the current fiscal year, unless the shortfall is due to expenses relating to committed funds. Assigned fund balance shall not be intended to be used annually to cover shortfalls due to operating expenditures exceeding operating revenues. Any fund balance remaining will be classified as unassigned fund balance until such a time the Board earmarks it as committed or assigned.

The level of unassigned fund balance should not fall below six months of operating expenditures. The OMESA Board shall decide how the unassigned fund balance shall be divided between the classifications prior to the adoption of the new fiscal year budget.

OVID-MIDDLEBURY EMERGENCY SERVICES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE H – DETAILS OF FUND BALANCE CATEGORIES AND CLASSIFICATIONS
(CONTINUED)

Fund Balance Classification Policies and Procedures (Continued)

If unrestricted fund balance is reduced below the point of the targeted minimum level, it will be replenished before any new projects or assets are purchased. Replenishment with a millage increase may be necessary or at least, a minimum of a one year freeze on wages and non-operational expenditures until unrestricted fund balance has reached the targeted minimum level for at least two years.

The Board will review the fund balance policy annually and designate committed and unassigned fund balances prior to the close of each fiscal year (making adjustments upon completion of the audit).

The following are the various fund balance classifications as of December 31, 2013:

Fund Balance:	
Nonspendable	
Prepaid	\$ 3,086
Committed	103,541
Unassigned	<u>336,212</u>
 Total Fund Balance	 <u>\$442,839</u>

NOTE I – SUBSEQUENT EVENTS

The organization has evaluated events through May 21, 2014, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

OVID-MIDDLEBURY EMERGENCY SERVICES AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2013

	Budgeted Amounts			Variance Favorable (Unfavorable) Final to Actual
	Original	Final	Actual	
Revenues				
Ambulance Runs	\$ 120,000	\$ 120,000	\$ 200,614	\$ 80,614
Fire Runs	18,000	18,000	13,171	(4,829)
Bad Debts/Write Offs	-	-	(92,372)	(92,372)
Total Runs, Net	138,000	138,000	121,413	(16,587)
Property Taxes	293,500	293,500	300,131	6,631
Tower Rent	14,000	14,000	12,927	(1,073)
Grants	-	-	3,000	3,000
Donations	-	-	15,000	15,000
Miscellaneous	500	500	1,875	1,375
Interest	500	500	1,345	845
In-Kind Contributions	7,800	7,800	-	(7,800)
Total Revenues	454,300	454,300	455,691	1,391
Expenditures				
Audit	3,500	3,500	2,900	600
Capital Outlay	2,500	2,500	16,446	(13,946)
Continuing Education & Training	6,000	6,000	1,990	4,010
Contracts-ALS, Billing & Training	52,000	52,000	42,869	9,131
Advertising	1,200	1,200	840	360
Mileage	1,000	1,000	517	483
Fuel & Oil	10,500	10,500	10,239	261
Insurance	30,000	32,000	29,030	2,970
Legal	10,000	5,500	5,730	(230)
Membership & Subscriptions	2,500	2,750	2,711	39
Miscellaneous	1,200	1,700	1,119	581
Office Supplies	3,000	3,000	3,002	(2)
Operating Supplies	14,000	13,000	11,382	1,618
Salary	224,500	222,000	222,742	(742)
Payroll Expenses	21,500	21,500	16,822	4,678
Professional Services	1,000	1,000	990	10
Promotional Supplies	1,000	1,250	1,154	96
Repairs & Maintenance	30,000	33,000	32,957	43
Telephone	4,500	4,500	3,040	1,460
Uniforms	8,000	10,000	10,107	(107)
Capital Improvement Fund	18,600	18,600	-	18,600
Utilities-In-Kind Gov't Contributions	7,800	7,800	-	7,800
Total Expenditures	454,300	454,300	416,587	37,713
Excess (Deficiency) of Revenues Over Expenditures	-	-	39,104	39,104
Net Change in Fund Balance	-	-	39,104	39,104
Fund Balance at Beginning of Period	403,735	403,735	403,735	-
Fund Balance at End of Period	\$ 403,735	\$ 403,735	\$ 442,839	\$ 39,104



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS

To the Chairman and Members of the Authority Board
Ovid-Middlebury Emergency Services Authority
114 E. Front Street, P.O. Box 636
Ovid, Michigan

In planning and performing our audit of the financial statements of Ovid-Middlebury Emergency Services Authority as of and for the year ended December 31, 2013, in accordance with auditing standards generally accepted in the United States of America, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Ovid-Middlebury Emergency Services Authority's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant.

MATERIAL WEAKNESS

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify deficiencies in internal control that we consider to be material weaknesses, as defined above.

SIGNIFICANT DEFICIENCIES

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following in the Authority's internal control to be significant deficiencies.

PREPARATION OF FINANCIAL STATEMENTS

Statement on Auditing Standards No. 115 titled Communicating Internal Control Related Matters Identified in an Audit requires us to communicate when a client requires assistance in the preparation of financial statements and the related footnotes that are required in accordance with accounting principles generally accepted in the United States of America. Throughout the year Ovid-Middlebury Emergency Services Authority prepares monthly financial reporting and the annual audited financial statements for the year ended December 31, 2013 for Ovid-Middlebury Emergency Services Authority required audit adjustments. The staff at Ovid-Middlebury Emergency Services Authority does understand substantially all of the information included in the financial statements, and as such are able to take responsibility for the content. We are communicating these circumstances as required by professional standards, and do not see a need for any change in the situation at this time.

OTHER MATTERS

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, standards, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclose no instances of other matters.

This report is intended solely for the information and use of management, and Members of the Board of Ovid-Middlebury Emergency Services Authority and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties. We wish to thank the staff for the outstanding assistance in the conducting of the audit.

Demis and Wenzlick, P.C.
Certified Public Accountants

Owosso, Michigan
May 21, 2014